



SBA Procedural Notice

TO: All Employees

CONTROL NO.: 5000-1068

SUBJECT: Extended and Enhanced Community
Express Pilot Program

EFFECTIVE: 9/16/2008

Introduction

Effective October 1, 2008, the U.S. Small Business Administration (SBA) is restructuring and enhancing the Community Express Pilot Program to improve its management, administration, oversight, and delivery. SBA is also extending Community Express as a pilot program through December 31, 2009. SBA reminds participating lenders that while Community Express remains a pilot program there is a limitation on the number of loans the Agency can process under Community Express in each fiscal year.

The restructured Community Express Pilot Program will continue to generally conform with the loan processing, servicing, and liquidation requirements and procedures for SBA Express, except that Community Express loans will receive SBA's standard 75/85 percent guaranty, the maximum loan amount under Community Express will remain at \$250,000 (SBA Express maximum is \$350,000), eligible loans must be for \$25,000 or less or they must be located in certain geographic or specially-designated markets, borrowers under the program must receive appropriate technical assistance, and SBA's standard 7(a) interest rates apply.

Summary of Key Features

The restructured Community Express Pilot Program will include the following key features:

- The maximum size of a loan under Community Express remains at \$250,000.
- Eligibility for Community Express will be limited to:
 - Small businesses whose principal office (as defined in 13 CFR 126.103) is located in a HUBZone or Community Reinvestment Act (CRA) designated area;
 - Loans made under a Headquarters-approved district office initiative to support a local community/economic development market.
 - Loans of \$25,000 or less that are not located in a CRA, HUBZone, or HQ approved district office market.
- SBA's guaranty of 85 percent for loans up to \$150,000 and 75 percent for loans over \$150,000 will continue to apply to Community Express loans.
- Technical Assistance (T/A) remains a program requirement, but lenders may use SBA's online facilities (www.sba.gov), including the Small Business Training Network (SBTN) and other SBA resources to meet the program's T/A requirements. Lenders must continue to document in each loan file that the required T/A was provided to the borrower.
- SBA's required pre-loan SBTN T/A or other comparable T/A must be completed prior to the loan being disbursed. (If unusual circumstances exist, as discussed in more detail below, lenders may disburse a loan prior to all of the introductory T/A being completed.)

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SBA Form 1353.2 (12-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

- For loans greater than \$25,000, SBA's required pre-loan SBTN T/A or other comparable T/A may be used, but lenders must also refer borrowers for additional T/A and document in the loan file the provision of the additional required T/A.
- With SBA's 75/85 percent guaranty and the availability of SBA's SBTN and SBA's other T/A resources, the maximum interest rate lenders may charge will be limited to the standard 7(a) rates (which contrast with the higher rates previously allowed under Community Express).

Borrower Eligibility for Community Express

In addition to SBA's standard 7(a) eligibility requirements, Community Express loans must meet certain other eligibility requirements, which are discussed further below. Because SBA recently implemented the Patriot Express program, which provides an expedited loan product with SBA's 75/85 percent guaranty specifically targeted to veterans and the broader military community, veterans will no longer be eligible under Community Express unless they meet the other eligibility requirements of Community Express. Lenders must document the borrower's eligibility for Community Express in the loan file. This documentation must be available for SBA's review during any lender oversight activities and must be submitted to SBA with any guaranty purchase request.

Eligibility for Community Express Includes HUBZones and CRA Areas

In considering a retargeting of Community Express to distressed communities/markets, SBA reviewed the various methodologies used by federal agencies to identify and target distressed communities and determined that SBA's HUBZone designation and the designations administered by the Federal Financial Institutions Examination Council (FFIEC) for lender-related Community Reinvestment Act (CRA) purposes best met the needs of the Agency and its lending partners. (The CRA areas are also termed Low and Moderate Income Areas.) Thus, small businesses whose principal office is located in a HUBZone or CRA area are eligible for Community Express. Principal office is the location where the greatest number of a concern's employees perform their work (13 CFR 126.103). For concerns whose "primary industry" (see 13 CFR 121.107) is service or construction (see 13 CFR 121.201), the determination of principal office excludes the concern's employees who perform the majority of their work at job-site locations to fulfill specific contract obligations.

Both HUBZone and CRA areas are identifiable through web-based search facilities. SBA's HUBZone Website, which provides advanced mapping features, may be viewed at <http://map.sba.gov/hubzone/init.asp>. The site allows users to determine if an address is located in an eligible area and it provides both macro- and micro-mapping facilities, which show what geographic areas fall within HUBZone designations.

The FFIEC administers and maintains a website that lenders can use to determine if a particular address falls within a CRA designated area, but it does not provide a mapping facility. That website is: <http://www.ffiec.gov/Geocode/default.aspx>. When the screen appears, enter the address and click on "Search." When the next screen appears, click on "Get Census Demographic," and the next screen will advise if the location falls within a Low or Moderate Income (LMI) area, which qualifies as a CRA area.

Lender Documentation Required to Substantiate Eligibility based on CRA or HUBZone: As noted above, the lender must document the borrower's eligibility for Community Express in each loan file and must include that documentation in any guaranty purchase request it submits to SBA. Also as noted above, each of the websites for HUBZones or CRA areas allows the lender to access a screen that will advise if a particular address falls within an approved HUBZone or CRA area. SBA therefore requires a copy of that screen to be maintained in the loan file and submitted with any purchase request. Lenders may use other appropriate documentation, but that documentation must make it clearly and easily discernible that the borrower is located within an eligible HUBZone or CRA area. In addition, the lender must indicate on SBA Form 1920, Part B, if the eligibility of the borrower is based on location within a HUBZone or CRA area.

Eligibility for Community Express Includes Loans of \$25,000 or Less

All loans of \$25,000 or less are eligible for Community Express regardless of where the business is located. This provision will help the Agency provide access to capital to very small businesses and/or start-ups, including many minority and women owned small businesses. To ensure that loans that exceed \$25,000 are not split into two or more smaller loans in order to qualify for Community Express, SBA will aggregate all Community Express and other 7(a) loans to a single applicant made within 90 days of each other.

Lender Documentation SBA Requires to Substantiate Eligibility of Loans of \$25,000 or Less: No additional lender documentation is required for loans of \$25,000 or less, but the lender must indicate on SBA Form 1920, Part B, if the eligibility of the borrower is based on loan size.

Eligibility for Community Express Could Include Special Market Initiatives

SBA district offices will be allowed to petition Headquarters (HQ) for authority to designate additional underserved or distressed communities/markets within that district office's territory as eligible for Community Express beyond those authorized above; however, any loans approved under this expanded eligibility must conform to all other requirements of Community Express. In providing this option, SBA must ensure that any additional markets that are designated as eligible are programmatically and legally sustainable and that there is an Agency system or process in place to ensure that sustainability and to provide adequate program control and oversight. As a result, district office proposals must be well reasoned and must present a sound rationale for designating a particular market as distressed or underserved.

A district office proposal must be in writing and must:

- Specifically define the goals and objectives of the local initiative.
- Quantitatively define key performance measures by which the initiative will be evaluated.
- Identify the timeframe of the initiative. (The initial timeframe may be extended upon request with adequate justification to the Approval Committee (defined below) as to the need for the extension.)
- Demonstrate the need within the district for additional markets based on specific and objective economic data (such as unemployment data, population declines, income data) compared to recognized norms.

- Identify specifically how the additional market is to be defined. For geographic areas/markets, the geographic boundaries must be clearly delineated so that lenders can efficiently and effectively determine and document borrower eligibility.
- Define how SBA will confirm eligibility and track loans so the Agency can monitor and evaluate the number and performance of the loans approved under the district's initiative.
- Include a concrete, substantive local economic development partnership between the SBA district office and: (i) non-profit organizations/entities; (ii) municipal, county, state, and/or other governmental entities; and/or (iii) SBA resource partners or other resources.
- Ensure the partnership between the district and local entity conveys a specific and substantial business development benefit and/or risk mitigation to the SBA borrower. (This could include property tax abatements or tax credits; real property transfers at reduced value; interest rate buy-downs or below market interest rates; and/or advanced and/or specialized technical assistance through SBA resource partners or other sources, such as federal/state/local sponsored manufacturing and/or engineering facilities.)
- Include a statement or letter from the principal partner(s) outlining their contribution to initiative/borrowers, including any separate eligibility requirements.
- Include a statement from the District Director and the Regional Administrator certifying that the proposed initiative meets the above requirements as well as furthers the objectives of the Community Express program.

District offices may request preliminary approval of a request before providing all documentation in order to negotiate final terms with local partners. Final documentation should be submitted as soon as possible but must be submitted within 180 days of preliminary approval, or an additional time period as agreed to by the HQ Community Express Approval Committee (Approval Committee). The district office must not actually commence the initiative until final approval by the Approval Committee.

District office requests to designate additional underserved or distressed communities/markets as eligible for Community Express are to be submitted to the Office of Field Operations (OFO), which will review the requests to ensure they are complete and meet the above requirements. Upon notification by OFO, the Office of Capital Access will convene the Approval Committee, which will include a representative from each of the following offices:

- Office of Capital Access
- Office of Field Operations
- Office of Policy and Strategic Planning
- Office of Entrepreneurial Development

The Office of General Counsel (OGC) will review each proposal for legal sufficiency before the Approval Committee gives any approval, whether preliminary or final.

The Approval Committee will evaluate each proposal based on the following criteria and will request additional information or clarification as appropriate:

- Clarity and specificity of stated goals and objectives of proposal.
- Consistency of proposal with the goals and objectives and the policies and procedures of the Community Express program.

- Presentation of definitive and credible economic data supporting the designation of additional local markets as underserved or distressed and not adequately addressed by other Community Express eligibility designations.
- Clarity of the defined market.
- Clarity and measurability of proposed benchmarks/performance measures.
- The nature and value of the contributions by local partners in the initiative.
- Practical effectiveness of the methodology or reporting process proposed to monitor and evaluate the results of the initiative.
- Effectiveness of proposed management oversight and controls to ensure borrowers under a local initiative meet the initiative's eligibility requirements.
- Supporting documentation.

The Approval Committee will strive to review any request within 10 calendar days of receipt, but must render a decision within 30 days of the receipt of a complete request. To be approved, a district office request must be approved by all four members of the Approval Committee, and it must be legally sufficient, as determined by OGC. The Approval Committee will notify the requesting Regional Administrator and District Director of its decision.

Documentation SBA Requires from Lender to Substantiate Eligibility Based on Approved District Initiative: The lender must document in the loan file how the borrower qualifies as eligible based on an SBA HQ approved district office designated market. Acceptable documentation would include evidence that makes clear that the borrower falls within an approved market, such as approved zip code(s), counties, industries, etc. Additionally, the lender must indicate on SBA Form 1920, Part B, if the eligibility of the borrower is based on an SBA HQ-approved district office initiative. This documentation must be submitted to SBA with any guaranty purchase request.

Technical Assistance Requirements and Options for Community Express

Technical Assistance remains a key requirement under Community Express. But, ensuring that substantive T/A is provided to borrowers has been problematic for some lenders and a deterrent to their participation in Community Express. Also, the quality and consistency of the T/A provided under Community Express has varied significantly. As a result, lenders will now be given the option of using SBA's online training environment (www.sba.gov), including SBTN, which is continuing to be enhanced, as well as SBA's other T/A resources (Small Business Development Centers (SBDCs), Service Corps of Retired Executives (SCORE), Women Business Centers (WBCs), and Veteran Business Opportunity Centers (VBOCs)), to meet the T/A requirements under Community Express. While lenders are not required to use SBA's online services or other SBA T/A resources, they must ensure that each Community Express borrower receives appropriate T/A.

SBA's Online Technical Assistance

SBA's online technical assistance to support Community Express loans can be accessed through the Agency's website, under 7(a) Loan Programs, Community Express at:

<http://www.sba.gov/services/financialassistance/7alenderprograms/comexpress/index.html> .

Click on the link "Technical Assistance & Assessment Tool" to access the assessment tool. A

loan applicant must complete an assessment and will receive a training plan before taking Agency online courses.

SBA's online T/A option, includes four key components:

1. **Assessment Tool** – This is an online, easy to complete questionnaire designed to evaluate the loan applicant's business skills and training needs. The tool is accessible via SBA's website.
2. **Customized Training Plan** – Once the loan applicant completes the assessment tool, an evaluation and training plan are automatically generated for the client. Each Community Express plan will consist of two parts.
 - **Part I** will list **required** training and preparation
 - **Part II** will list:
 - i. **Optional** but recommended training and resources,
 - ii. **Direct links** for business counseling and mentoring, and
 - iii. **Other** important resource links.
3. **Online Courses & Tools** – SBTN supports the Community Express Pilot Program with several free online courses and a business plan template. The Agency's online training initiative is a work in progress, with new courses planned for the future. There are four **required** courses (courses that could be required by the Customized Training Plan) currently available:
 - Small Business Primer: Guide to Starting a Business
 - How to Prepare a Business Plan
 - Marketing 101: A Guide to Winning Customers
 - Introduction to Accounting

In addition, SBA provides an optional Online Business Plan Template to assist Community Express clients in developing an effective business plan.

4. **Certificates of Completion** – Applicants completing required online T/A courses can receive/print a Certificate of Completion from SBA (upon course completion) for each online course, which the applicant must provide to the lender to confirm course completion.

(NOTE: SBA's online training environment as well as its applicability to the Community Express program will remain a pilot concept in the coming months as the Agency continues to develop and refine it, contingent on available resources. For example, while Certificates of Completion are currently available for required SBTN courses, Certificates are not currently available for the optional courses.)

In addition to the SBTN T/A, all Community Express borrowers will be apprised of and encouraged to explore additional and more personalized T/A, which is available through SBA's resource partners, including SBDCs, SCORE, WBCs, and VBOCs or through other sources.

SBA's Technical Assistance Requirements When SBA's Online T/A Used

T/A Requirements for Loans of \$25,000 or Less:

For all Community Express loans of \$25,000 or less where the lender elects to use SBA's online T/A, the lender must document that the borrower has met the following requirements:

- Completed the SBA Assessment Tool and obtained and printed the Customized Training Plan;
- Completed the SBTN course “Small Business Primer: Guide to Starting a Business;”
- Completed the SBTN course “How to Prepare a Business Plan;”
- Completed the SBTN course “Marketing 101: A Guide to Winning Customers;”
- Completed the SBTN course “Introduction to Accounting;”
- Completed a business plan – Borrower may use the optional SBA Business Plan Template as a guide; and
- Completed other courses as may be required by the Customized Training Plan.

(This is a developing pilot initiative, so additional courses may be available and required in the future.)

The above required pre-loan technical assistance prescribed by the Customized Training Plan must be completed before the loan is disbursed. If unusual circumstances arise (such as situations where timing is critical, e.g. contract financing, seasonal financing, etc.), which SBA expects will be limited and which lenders must justify in writing and maintain in the loan file, lenders may waive the requirement that the required T/A be completed before the loan is disbursed. In such circumstances, lenders may disburse the Community Express loan prior to completion of the required T/A, but the lender must follow up and document that the borrower completed all of the required T/A within 90 days of loan disbursement.

If the borrower already has a well developed business plan (lender must retain a copy in the loan file), the borrower must still complete the Assessment Tool, the Small Business Primer, the Marketing 101, Introduction to Accounting, and How to Prepare a Business Plan (which presents general business planning concepts).

The Assessment Tool/Customized Training Plan may recommend additional T/A or additional T/A resources that would benefit the borrower, such as additional SBTN courses, other online resources, or counseling or training from SBA’s resource partners (SCORE, SBDCs, etc.). For loans of \$25,000 or less, lenders should encourage borrowers to take advantage of that additional T/A, but its completion and documentation is not mandatory for loans of \$25,000 or less.

When using SBA’s online services to meet the T/A requirements under Community Express, borrowers must provide the lender with copies of the Customized Training Plan, Business Plan, and Certificates of Completion for all required T/A courses. Lenders must maintain that documentation in the loan file to show that the required T/A has been provided to the borrower. This documentation must also be submitted to SBA with any guaranty purchase request.

SBA-sponsored T/A is not required if the borrower completes comparable alternative T/A (which as discussed above must generally be completed before the loan is disbursed), but the completion of the alternative T/A must be documented in the loan file and submitted to SBA with any purchase request. This includes documenting a well developed business plan. (See below discussion on use of alternative T/A.)

T/A Requirements for Loans Greater than \$25,000 When SBA Online T/A Used:

For all Community Express loans greater than \$25,000 where the lender elects to use SBA's online T/A, the lender and borrower must follow the above requirements, but the borrower must be referred to and partake of additional T/A from SBDCs, SCORE, WBCs, VBOCs or other non-SBA sources of T/A. (As SBA continues to develop its SBTN, additional courses and course certificates will become available and will be incorporated into SBA's Assessment Tool and Customized Training Plan, particularly for loans greater than \$25,000.)

SBA recognizes that many of the fledgling small businesses assisted under Community Express will significantly benefit from a T/A relationship that continues over an extended period of time. As a result, the additional T/A required for loans greater than \$25,000 does not all have to be completed before the loan is disbursed, but SBA does require that a substantial portion be completed within 90 days of disbursement.

Required SBA Online T/A Must be Documented

Lenders participating in Community Express must document in their loan file that the borrower has received all required T/A and must submit that documentation to SBA with any guaranty purchase request. For lenders using SBA's online T/A environment, some of this documentation will be available to the borrower automatically, but the borrower must print the materials and provide them to the lender. Specifically, this documentation includes a Customized Training Plan, Business Plan Template and Completion Certificates for completed "REQUIRED" SBTN courses. The SBA Customized Training Plan may identify optional T/A that would benefit the borrower, and the borrower is encouraged to take advantage of that T/A, but course completion certificates are not presently available for additional and optional training.

In the case of loans greater than \$25,000, the lender must also follow up and refer the borrower to additional T/A resources, including SBDCs, SCORE, WBCs, VBOCs or other non-SBA sources. If the additional T/A is received from SBA's resource partners or other T/A providers, the borrower must obtain a certificate or other documentation (such as a counselor's progress/status report or in the case of SBA resources an SBA Form 641) from the T/A provider substantiating that the borrower has completed the required additional T/A, and the borrower must provide that documentation to the lender for the borrower's loan file.

The chart in Attachment I summarizes the T/A requirements and available SBA technical assistance when the lender elects to use SBA's online T/A.

SBA's Technical Assistance Requirements When Alternative T/A Used

Lenders are not required to use SBA's SBTN to meet Community Express T/A requirements. Those lenders who choose to use alternative T/A providers must ensure their alternative T/A resources provide adequate and appropriate T/A to the Community Express borrowers. In addition, any alternative T/A provider identified by the lender must be approved in writing by the SBA district office (see below requirements) in the location(s) where the T/A provider assists Community Express borrowers. (SBA HQ may approve certain lender arrangements for national T/A providers.)

The alternative T/A must include an assessment of the applicant's management and technical strengths and weaknesses, a T/A corrective action plan, a business plan, and appropriate follow-

up to require the borrower to take the specified T/A recommended in the T/A corrective action plan. The management assessment must be substantive and designed to effectively identify the applicant's significant management or business weaknesses and needs; a cursory assessment, either by the applicant or a business counselor, would not be considered adequate.

SBA regards a business plan tailored to the specific applicant as crucial, particularly where future cash flows are being substantially considered in the business's repayment ability. However, the Agency recognizes that under certain circumstances, such as the purchase or replacement of operating equipment, a full business plan may be unnecessary. Such circumstances should be infrequent and the lender must document the circumstances in the loan file. (SBA would not consider the size of the loan alone to be adequate to preclude the need for a full business plan.)

Required T/A When Alternative T/A Used

Required Technical Assistance	Required Lender Documentation
<ul style="list-style-type: none"> • Complete Management Assessment • Complete T/A Corrective Action Plan • Complete Business Plan • Effective Follow Up to Ensure Borrower Completes T/A • Complete Prescribed T/A 	<ul style="list-style-type: none"> • Copy - Management Assessment • Copy - T/A Corrective Action Plan • Copy - Business Plan • Copy – Loan Agreement/Correspondence/ Communiqués to Borrower • Copy - Periodic status/progress report or certificates/certification from T/A provider

Timing and Documentation of T/A

The management assessment, the business plan, and the T/A plan must be developed and a substantial portion of the prescribed T/A completed before the loan can be disbursed, although under unusual circumstances, the T/A may be completed after disbursement. (For example, if an applicant needed to replace a critical piece of equipment that had failed in order to continue to operate and generate revenue.) Such unusual circumstances should be infrequent and the lender must document the circumstances in the loan file. Also, in those circumstances where the loan is disbursed before the T/A is completed, the required T/A must be substantially completed within 90 days of disbursement. (However, SBA recognizes that some borrowers may benefit from T/A relationships that extend beyond 90 days.) The lender must keep a copy of the management assessment, the business plan, the T/A plan, and brief, periodic progress reports on the T/A completed in the borrower's loan file. This documentation must be submitted to SBA with any guaranty purchase request.

Lenders Must Follow Up to Ensure Borrower Partakes of T/A

SBA believes that with a strong emphasis by the lender to the applicant on the importance of the T/A, requiring the T/A as part of the loan agreement, and SBA's requirement that, barring unusual circumstances, the T/A be completed before loan disbursement, most borrowers will

complete the required T/A. However, SBA understands that despite follow up by the lender to reinforce the T/A requirement, some borrowers may not complete all of the prescribed T/A. SBA nevertheless requires a diligent and good faith effort by the lender to ensure the borrower receives the required T/A. Lenders must document in the loan file their efforts to require the borrower's compliance with the T/A requirement. This documentation could include, for example, copies of substantive correspondence or communiqués to the borrower in which the lender makes clear that completion of the T/A plan was a required part of the loan approval process. However, SBA will not view a single or a series of routine and/or perfunctory communiqués to the borrower (e.g. a standard form letter, a reminder contained in a billing or bank statement, or a brief electronic message) advising the borrower of the availability of, or the requirement for, T/A as adequate to meet SBA's requirement that the lender follow up to ensure the borrower completes the required T/A.

Most Community Express Borrowers Require T/A

Due to the added risk often inherent in loans to distressed communities and to the fact that many Community Express loans are to very small or start-up businesses, SBA believes that borrowers under this program will substantially benefit from appropriate T/A and that the T/A will enhance their prospects for success. SBA also recognizes, however, that some applicants for Community Express loans could possess exceptional management or entrepreneurial skills and/or experience. If a lender encounters such an applicant, which must be supported by the results of SBA's online Assessment Tool/Customized Training Plan or by other means (e.g., the applicant's education, experience, etc.), the lender may waive the requirement of basic business planning, management, finance and/or accounting courses. But the lender must clearly substantiate and document its rationale for waiving these T/A requirements in its loan file. (SBA expects such circumstances to be rare.) However, a well developed business plan using either SBA's optional Business Plan Template as a guide or an alternative source is still required.

Community Express Borrowers May Not Be Charged for T/A

Except for very minor or incidental supply/material fees, such as might be associated with a SCORE or SBDC workshop, borrowers are not to be charged for the T/A provided under the Community Express program. However, SBA recognizes that under certain limited circumstances, which must be approved in advance by the local SBA district office, a borrower requiring a highly specialized form of technical or management assistance that is not routinely offered by the lender's existing T/A provider may be charged reasonable costs for the specialized T/A. (For example, a borrower could have a product design problem or flaw that could only be reengineered by a specialized engineering firm, which wouldn't normally be available from a traditional T/A provider.) Under those circumstances, which SBA expects will be very limited, on a case-by case basis the local SBA district office (the Lead ED Officer) is authorized to approve a referral to an alternative T/A provider that may charge the borrower for the specialized T/A. However, the approving Lead ED Officer must ensure that such a referral is fully warranted and appropriate and that the borrower is fully informed as to why such a referral is required and informed of the estimated charges for the assistance. In addition, the Lead ED Officer must ensure that there is no real or apparent conflict of interest resulting from any relationship between the lender and the alternative T/A provider. SBA's approval of such limited specialized assistance must be documented in the lender's loan file.

SBA District Offices Must Approve Local T/A Providers

While the responsibility of arranging for local T/A providers rests with the lender, the local SBA district office can assist lenders in this effort, particularly relative to SBA's local resource partners (SCORE, SBDCs, WBCs, and VBOCs). The SBA district office must screen, evaluate, and approve all local T/A providers, and it must approve the T/A provider agreement between a lender and a local T/A provider before the lender can begin processing Community Express loans in that district. (In some instances, HQ may approve national or multi-state T/A arrangements for a lender.) The SBA district office must document its assessment and approval of the T/A provider and retain that information, along with a copy of the approved T/A provider agreement.

There are a number of factors that the district office must consider in approving a T/A provider including, but not limited to:

- Compatibility of the T/A provider's mission with that of the Community Express objective to deliver effective T/A to Community Express borrowers.
- Potential commitment of the T/A provider and its capacity to serve Community Express borrowers.
- T/A provider's source of funding for the T/A to be provided.
- Potential for conflict of interest by the T/A provider relative to the borrower, particularly if a for-profit T/A provider is used. (See below discussion of for-profits.)
- Potential for conflict of interest relative to the lender and the T/A provider.
- General types of assistance offered (training and/or counseling assistance).
- The availability of documentation from the T/A provider to substantiate the provision of T/A to be maintained in the lender's file.
- T/A provider's expertise and experience vis-à-vis the likely needs of Community Express borrowers, including:
 - Pre-business/start-up assistance, including business plans
 - Strategic planning
 - Accounting/bookkeeping
 - Financial analysis and management
 - Marketing/sales
 - Technology/computers/software
 - Business design/engineering
 - Export assistance
 - Personnel/human resources
 - Industry specific expertise
 - Experience of business counselors/trainers

While there is a basic presumption that SBA resource partners are generally qualified T/A providers for Community Express, the district nevertheless must assess each for its ability to support Community Express borrowers, although that assessment may be concise.

Most Community Express borrowers are start-up or fledgling small businesses and are particularly vulnerable. As a result, and with the availability of SBA's local resource partners

and other non-profit T/A providers, including state and local community-sponsored T/A providers, SBA expects that local T/A providers will be predominately non-profit entities. However, SBA does recognize that under certain limited circumstances, a for-profit T/A provider could be the only viable local T/A option. Under such circumstances, the local SBA district office may approve a for-profit T/A provider, but any such approval must be well justified and documented by the district.

SBA's Standard 7(a) Interest Rates Apply

With the availability of SBA's SBTN and other T/A resources, which will streamline and reduce lenders' costs for providing T/A under Community Express, and with the Agency's higher 75/85 percent guaranty, effective October 1, 2008, the maximum interest rate lenders may charge for Community Express loans will be limited to the standard 7(a) interest rates. Under standard 7(a) interest rates, lenders may charge up to Prime plus 2.25 percent for maturities under seven years and Prime plus 2.75 percent for maturities of seven years or more, with rates 2 percent higher for loans of \$25,000 or less and 1 percent higher for loans between \$25,000 and \$50,000.

Requirements to Become a Community Express Lender

An existing SBA lender that wishes to participate in Community Express may send a written request to the Sacramento Loan Processing Center (SLPC).

An existing SBA lender must demonstrate that it:

- (a) Can effectively process, close, service, and liquidate SBA loans and has a history of acceptable currency, default rates, and loss rates.
- (b) Is in compliance with applicable SBA Loan Program Requirements;
- (c) Has been reviewed by and received a satisfactory review/examination from OCRM and has no major objections from the D/OCRM;
- (d) Has been current in filing SBA required 1502 reports and in remitting required guaranty and servicing fees;
- (e) Has at least an 85 percent currency rate on its SBA 7(a) loan portfolio for the last 3 complete fiscal years plus the elapsed portion of the current fiscal year to be approved for a 1 year term or a 90 percent currency rate to be approved for up to a 2 year term;
- (f) For lenders regulated by one of the federal/state oversight authorities, is in good standing with its primary regulator by submitting a statement to that effect and by disclosing any formal or informal enforcement actions or agreements within the past 2 years (SBA will determine whether an enforcement action or agreement renders the lender unacceptable for participation in this program);
- (g) Is not subject to any SBA enforcement actions; and
- (h) Has not received a major substantive objection from its Lead SBA Office.

For SBA lenders with less than 3 years of SBA lending experience/data, the Agency may consider performance over the period of time the lender has been an SBA lender, but SBA will limit the lender's initial term of participation to 1 year or less. Lenders that identify significant differences between the performance numbers developed by the lender and those developed by SBA (not related to a lack of accurate 1502 reporting) may contact the SLPC to resolve any differences.

SBA Will Evaluate Restructured Community Express Pilot Program

The restructured Community Express will remain a pilot program while SBA continues to test and evaluate its overall effectiveness and its implications for the Agency's portfolio and subsidy rate. Factors SBA will use in evaluating Community Express will include the following:

- Number of loans processed.
- Number and percentage of loans processed where the applicant's principal office is located in a distressed community.
- Demographics compared to other 7(a) programs.
- Number of loans in rural areas.
- Number of loans to start-up businesses.
- Number of lenders participating and distribution of loans among lenders.
- Delinquency, purchase, and loss rates compared to other SBA loan products.
- OCRM portfolio analysis and projections based on LMAS.
- Portfolio management credit scores compared to other 7(a) programs

SBA's Loan Volume is Limited Under Community Express Pilot Program

Community Express remains a pilot program, and it is subject to a limit on the number of loans that can be approved under it within a fiscal year. As a result, under Community Express SBA cannot approve more than ten percent of the number of 7(a) loans approved by SBA in any fiscal year. The Agency must therefore closely monitor and control the number of Community Express loans approved annually while the program remains a pilot to ensure that SBA does not exceed this limit. While the Agency has considered adoption of Community Express as a permanent program, which would eliminate the applicability of the limitation, the SBA is introducing (herein) significant changes and enhancements to the concept, so until those changes have been adequately tested and evaluated, the Agency is not in a position to propose adoption of Community Express as a permanent program.

For questions concerning this notice please contact Charlie Thomas at (202)205-6656 or charles.thomas@sba.gov.

Grady B. Hedgespeth
Director, Office of Financial Assistance

Attachment I

T/A Requirements/Resources When Lender Elects to use SBA's Online T/A

Community Express Loan Category/Size	Required Technical Assistance	Required Lender File Documentation	Additional/Optional Resources & Online Courses (Completion Certificates for most not presently available)
Business loans ≤\$25,000	<ul style="list-style-type: none"> • Complete Assess Tool • Obtain Custom Training Plan • Complete Course: SB Primer - Guide to Starting a Business • Complete Course: How to Prepare a Business Plan • Complete Course: Marketing 101 • Complete Course: Intro to Accounting • Complete a Business Plan. 	<ul style="list-style-type: none"> • N/A • Copy - Custom Training Plan • Copy of Required Course Certificate • Copy of Required Course Certificate • Copy of Required Course Certificate • Copy of Required Course Certificate • Copy of Business Plan 	Online Training Courses <ul style="list-style-type: none"> • Assessing Financial Needs – SW TX SBDC • How to Prepare a Loan Package • E-Mail Marketing • Conducting a Marketing Analysis-PA SBDC/Kutztown U • Technology 101: SB Guide • Managing the Digital Enterprise • Franchising Basics • Accounting 101: The Fundamentals – PA SBDC • Bus Opportunities–Guide to Winning Fed Contracts • Insight: Guide to 8(a) Bus Development Program • Strategic Planning and Execution – Kutztown U • Finance Primer –Guide to SBA Loan Guaranties <p>-----</p> Other SBA Counseling and Training Resources <ul style="list-style-type: none"> • Small Business Development Centers • Service Corps of Retired Executives (SCORE) • Women Business Centers (WBCs) • Veteran Business Opportunity Centers (VBOCs)
Businesses loans >\$25,000	<ul style="list-style-type: none"> • Complete Assess Tool • Obtain Custom Training Plan • Complete Course: SB Primer-Guide to Starting a Business • Complete Course: How to Prepare a Business Plan • Complete Course: Marketing 101 • Complete Course: Intro to Accounting • Complete Business Plan • Complete Other T/A as recommended by the borrower's Custom Training Plan or by additional T/A resources • Follow-up with referral to SBA's resource partners or other sources 	<ul style="list-style-type: none"> • N/A • Copy – Custom Training Plan • Copy of Required Course Certificate • Copy of Required Course Certificate • Copy of Required Course Certificate • Copy of Required Course Certificate • Copy of Business Plan • Copy-Counselor's Report (641) or other progress report as appropriate 	